

PROFESSIONAL SERVICE CORPORATION ACT

Act 192 of 1962

AN ACT authorizing the creation of professional service corporations; providing definitions; providing exceptions; providing the manner and method of creating such corporations; providing for individual liability of officers, employees and agents of such corporations in certain instances; authorizing certain investments of corporate funds; regulating the issuance and transfer of capital stock; providing forfeiture of corporate franchise in certain instances; and requiring identification as a corporation.

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1963, Act 153, Eff. Sept. 6, 1963.

The People of the State of Michigan enact:

450.221 Professional service corporation act; short title.

Sec. 1. This act shall be known and may be cited as the “professional service corporation act”.

History: 1962, Act 192, Eff. Mar. 28, 1963.

450.222 Definitions.

Sec. 2. As used in this act:

(a) “Licensed person” means an individual who is duly licensed or otherwise legally authorized to practice a professional service by a court, department, board, commission, an agency of this state or another jurisdiction, or any corporation all of whose shareholders are licensed persons.

(b) “Professional corporation” means a corporation that is organized under this act for the sole and specific purpose of rendering 1 or more professional services and has as its shareholders only licensed persons, the personal representatives or estates of individuals, or other persons as provided in section 10.

(c) “Professional service” means a type of personal service to the public that requires as a condition precedent to the rendering of the service the obtaining of a license or other legal authorization. Professional service includes, but is not limited to, services rendered by certified or other public accountants, chiropractors, dentists, optometrists, veterinarians, osteopaths, physicians and surgeons, doctors of medicine, doctors of dentistry, podiatrists, chiroprodists, architects, professional engineers, land surveyors, and attorneys at law.

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1963, Act 153, Eff. Sept. 6, 1963;—Am. 1980, Act 216, Imd. Eff. July 18, 1980;—Am. 1990, Act 166, Imd. Eff. July 2, 1990;—Am. 1998, Act 48, Imd. Eff. Mar. 30, 1998.

450.223 Application of act.

Sec. 3. This act shall not apply to any corporation organized within this state prior to the passage of this act to perform professional services to the public. Any such corporation may bring itself within the provisions of this act by amending the articles of incorporation in such a manner so as to be consistent with all the provisions of this act and by affirmatively stating in the amended articles of incorporation that the shareholders have elected to bring the corporation within the provisions of this act.

History: 1962, Act 192, Eff. Mar. 28, 1963.

450.224 Professional corporation for pecuniary profit; organization; shareholders to be licensed; rendering of professional services; legal authorization; licensed person of another jurisdiction.

Sec. 4. (1) One or more licensed persons may organize under this act to become a shareholder or shareholders of a professional corporation for pecuniary profit.

(2) Except as otherwise provided in subsection (3) or otherwise prohibited, a professional corporation may render 1 or more professional services, except that each shareholder must be a licensed person in 1 or more of the professional services rendered by the corporation.

(3) Except as otherwise provided in this subsection, if the professional corporation renders a professional service that is included within the public health code, 1978 PA 368, MCL 333.1101 to 333.25211, then all shareholders of the corporation shall be licensed or legally authorized in this state to render the same professional service. One or more physicians and surgeons licensed under the public health code, 1978 PA 368, MCL 333.1101 to 333.25211, may organize a professional corporation under this act with 1 or more physicians and surgeons licensed under different provisions of the public health code, 1978 PA 368, MCL 333.1101 to 333.25211.

(4) A licensed person of another jurisdiction may become an officer, director, shareholder, employee, or agent of the corporation but shall not render any professional service in this state until the person is licensed or otherwise legally authorized to render the professional service in this state.

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1974, Act 151, Imd. Eff. June 12, 1974;—Am. 1980, Act 216, Imd. Eff. July 18, 1980;—Am. 1990, Act 166, Imd. Eff. July 2, 1990;—Am. 1997, Act 139, Imd. Eff. Nov. 18, 1997;—Am. 1998, Act 10, Imd. Eff. Feb. 20, 1998;—Am. 2000, Act 335, Imd. Eff. Dec. 20, 2000.

450.225 Professional services to be rendered through licensed or authorized officers, employees, and agents.

Sec. 5. A corporation organized and incorporated under this act shall not render professional services within this state except through its officers, employees, and agents who are duly licensed or otherwise legally authorized to render the professional services within this state. The term employee does not include secretaries, bookkeepers, technicians, and other assistants who are not usually and ordinarily considered by custom and practice to be rendering professional services to the public for which a license or other legal authorization is required.

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1990, Act 166, Imd. Eff. July 2, 1990.

450.226 Professional service corporations; licensee; negligence, wrongful acts, misconduct; liability.

Sec. 6. Nothing contained in this act shall be interpreted to abolish, repeal, modify, restrict or limit the law now in effect in this state applicable to the professional relationship and liabilities between the person furnishing the professional services and the person receiving such professional service and to the standards for professional conduct. Any officer, shareholder, agent or employee of a corporation organized under this act shall remain personally and fully liable and accountable for any negligent or wrongful acts or misconduct committed by him, or by any person under his direct supervision and control, while rendering professional service on behalf of the corporation to the person for whom such professional services were being rendered. The corporation shall be liable up to the full value of its property for any negligent or wrongful acts or misconduct committed by any of its officers, shareholders, agents or employees while they are engaged on behalf of the corporation in the rendering of professional services.

History: 1962, Act 192, Eff. Mar. 28, 1963.

450.227 Engaging in other businesses; investments; ownership of property; partnership; incorporator or shareholder.

Sec. 7. A corporation organized under this act shall not engage in any business other than the rendering of the professional services for which it was specifically incorporated. This act or any other provisions of existing law applicable to corporations shall not prohibit the corporation from investing its funds in real estate, mortgages, stocks, bonds or any other type of investments; from owning real or personal property necessary for the rendering of professional services; from becoming a partner in a partnership formed under Act No. 72 of the Public Acts of 1917, as amended, being sections 449.1 to 449.43 of the Michigan Compiled Laws, if the partnership performs the same professional services as the professional corporation; or from becoming an incorporator or shareholder in a professional corporation incorporated under this act, if both professional corporations perform the same professional services.

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1980, Act 216, Imd. Eff. July 18, 1980.

450.228 Professional service corporations; capital stock; voting trust.

Sec. 8. A corporation organized under the provisions of this act may not issue any of its capital stock to anyone other than an individual who is duly licensed or otherwise legally authorized to render the same specific professional services as those for which the corporation was incorporated. The provisions of the uniform securities act, 1964 PA 265, MCL 451.501 to 451.818, shall not apply to the issuance or transfer by that corporation of securities issued by it. A shareholder of a corporation organized under this act shall not enter into a voting trust agreement or any other type agreement vesting another person with the authority to exercise the voting power of any or all of his or her stock, unless that other person is duly licensed or otherwise legally authorized to render the same specific professional services as those for which the corporation was incorporated or as otherwise provided in section 10.

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1963, Act 153, Eff. Sept. 6, 1963;—Am. 1968, Act 31, Eff. Nov. 15, 1968;—Am. 1998, Act 48, Imd. Eff. Mar. 30, 1998.

450.229 Severance of employment and financial interests by disqualified licensee; noncompliance; forfeiture of articles; dissolution of corporation.

Sec. 9. If an officer, shareholder, agent, or employee of a corporation organized under this act becomes legally disqualified to render the professional services rendered by the corporation or accepts employment that pursuant to existing law places restrictions or limitations upon his or her continued rendering of the

professional services, he or she shall sever within a reasonable period all employment with and financial interests in the corporation. A corporation's failure to require compliance with this section constitutes a ground for the forfeiture of its articles of incorporation and its dissolution. If a corporation's failure to comply with this section is brought to the attention of the department of commerce, it shall certify that fact to the attorney general for appropriate action to dissolve the corporation.

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1963, Act 153, Eff. Sept. 6, 1963;—Am. 1973, Act 149, Imd. Eff. Nov. 21, 1973;—Am. 1990, Act 166, Imd. Eff. July 2, 1990.

450.230 Sale or transfer of shares; redemption or purchase of shares.

Sec. 10. Shares of a corporation organized under this act shall not be sold or transferred except to an individual who is eligible to be a shareholder of the corporation or to the personal representative or estate of a deceased or legally incompetent shareholder or to a trust or split interest trust, in which the trustee and the current income beneficiary are both licensed persons in a professional corporation. The personal representative or estate of the shareholder may continue to own shares for a reasonable period but shall not be authorized to participate in any decisions concerning the rendering of professional service. The articles of incorporation or bylaws may provide specifically for additional restrictions on the transfer of shares and may provide for the redemption or purchase of the shares by the corporation or its shareholders at prices and in a manner specifically set forth.

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1963, Act 153, Eff. Sept. 6, 1963;—Am. 1990, Act 166, Imd. Eff. July 2, 1990;—Am. 1998, Act 48, Imd. Eff. Mar. 30, 1998.

450.231 Corporate name.

Sec. 11. The corporate name of a corporation organized under this act shall contain the words "professional corporation" or the abbreviation "P.C.".

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1963, Act 153, Eff. Sept. 6, 1963;—Am. 1978, Act 31, Imd. Eff. Feb. 24, 1978.

450.232 Repealed. 1980, Act 216, Imd. Eff. July 18, 1980.

Compiler's note: The repealed section pertained to board of directors.

450.233 Applicability of business corporation act; consolidation or merger.

Sec. 13. The business corporation act, 1972 PA 284, MCL 450.1101 to 450.2098, is applicable to a corporation organized under this act except to the extent that a provision of this act is in conflict with the provisions of that act. If there is a conflict between a provision of this act and that act, the provision of this act applies with respect to a corporation organized under this act. A professional corporation organized under this act shall not consolidate or merge with another corporation whose shareholders are not licensed persons who may be shareholders under this act.

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1980, Act 216, Imd. Eff. July 18, 1980;—Am. 1990, Act 166, Imd. Eff. July 2, 1990;—Am. 2001, Act 58, Imd. Eff. July 23, 2001.

Compiler's note: Enacting section 1 of Act 58 of 2001 provides:

"Enacting section 1. This amendatory act is remedial and curative and intended to eliminate any confusion with respect to the application of the business corporation act, 1972 PA 284, MCL 450.1101 to 450.2098, to a corporation formed under the professional service corporation act, 1962 PA 192, MCL 450.221 to 450.235, as a result of OAG, 1989-1990, No 6592, p 166 (July 10, 1989). As provided in section 8 of 1846 RS 1, MCL 8.8, the legislature declares that the reference to the business corporation act, 1972 PA 284, MCL 450.1101 to 450.2098, in section 13 of the professional service corporation act, 1962 PA 192, MCL 450.233, includes the latest amendments to the business corporation act, 1972 PA 284, MCL 450.1101 to 450.2098.

450.234 Construction of act.

Sec. 14. The provisions of this act shall not be construed as repealing, modifying or restricting the applicable provisions of law relating to corporations, sales of securities or regulating the several professions enumerated in this act except insofar as such laws conflict with the provisions of this act.

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1963, Act 153, Eff. Sept. 6, 1963.

450.235 Annual report.

Sec. 15. The annual report of a professional corporation shall list the names and post office addresses of all shareholders and shall certify that the corporation meets the requirements of this act.

History: 1962, Act 192, Eff. Mar. 28, 1963;—Am. 1990, Act 166, Imd. Eff. July 2, 1990.